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C O N F I D E N T I A L SECTION 01 OF 02 AMMAN 005071

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SUBJECT: SENATOR CORZINE DISCUSSES IRAQ AND THE MEPP WITH JORDANIAN LEADERS

REF: TEL AVIV 04607

Classified By: CDA GREGORY L. BERRY FOR REASONS 1.5 (B) AND (D)

SUMMARY

1. (C) Senator Jon Corzine traveled to Jordan August 28-30. On August 29, the Senator met with Foreign Minister Muasher, Prime Minister Abul Ragheb, Minister of National Economy Halaiqa, Minister of Finance Marto, private sector leaders, the Trade and Planning Ministers, and a number of media personalities. The Senator also paid a courtesy call on Crown Prince Hamza. Throughout the meetings, Senator Corzine heard familiar Jordanian views on Iraq and the MEPP. End Summary.

MEETING WITH FM SETS THE TONE FOR THE DAY: IRAQ AND MEPP

2. (C) Senator Corzine, accompanied by his party, the Charge, and Poloff, had his most substantive meeting with FM Muasher, who underlined Jordanian concerns about U.S. military action against Iraq. The FM predicted the loss of \$500 million in Iraqi oil subsidies, and also expressed concern about managing public opinion, which was already difficult because of the "West Bank crisis." As on previous occasions, however, the FM--as did all GOJ officials the Senator met--underscored that Jordan would safeguard its relationship with the U.S. in any crisis. Muasher said that Jordan was encouraging Iraq to allow the inspectors back in, but was "not having any luck." Muasher also expressed concern about "the day after." He opined that the disintegration of the Iraqi state would be a "disaster." When questioned why, the FM said he feared that in place of an Iraqi state, there would be a Kurdish state in the North that would control the oil fields, a Sunni state in the middle, and an Iranian-controlled Shia state in the South. Muasher cautioned that a long-term U.S. military presence in Iraq post-Saddam would also be problematic for the region as people would see it as a foreign occupation.

3. (C) FM Muasher also outlined the GOJ's current approach to the Israeli-Palestinian confrontation. The GOJ has publicly championed the U.S.'s call for a two-state solution, as outlined in President Bush's June 24 speech. Muasher encouraged the U.S. to exert more pressure on Israel on the settlements issue, in part to counter the wide-spread perception here that the U.S. is one-sided and is only pushing for Palestinian action. Muasher expressed concern that Sharon was not committed to a two-state solution, "I'm not sure he's not unhappy with Arafat's inaction." Muasher underscored the significance of the Arab Initiative because it addresses both Israeli security and demographic needs. Muasher said that Arab countries need to take this plan directly to the Israeli public to start "rebuilding trust."

4. (C) Muasher also addressed the recent bulge in the Southern wall in response to a question by Senator Corzine (Reftel). Jordan has sent a technical team to evaluate the bulge and Muasher told the Senator that the Israelis have overblown the problem because "they want a say in East Jerusalem." Muasher stressed that the GOJ wants to keep the issue at the technical level and do not want to see it politicized.

5. (C) As the meeting closed, Muasher praised the bilateral relationship between the U.S. and Jordan, emphasizing recent trade expansion and calling the FTA a "jewel" that has so far created 20,000-25,000 jobs in Jordan (comment: he was probably thinking about QIZ-related jobs). Muasher said the beauty of the FTA is "that it poses no threat to the U.S. economy, but it has done wonders for the Jordanian economy."

PM CONCERNED ABOUT FUNDAMENTALISM

6. (C) The Senator's following meeting with PM Abul Ragheb (accompanied by FM Muasher) covered similar ground. The PM again emphasized the importance of the Arab initiative and cautioned that action against Iraq would "complicate the U.S.

war against terrorism." The PM also touched on another possible consequence of a U.S. offensive against Iraq--an increase in "fundamentalism" in the region. The PM tied this to the Palestinian cause as well, "if we solve the Palestinian issue, we give extremists less material and emotional buttons to work with." The PM echoed concerns expressed by the Foreign and Finance Ministers earlier in the day about the economic consequences of a U.S. offensive against Iraq. Apart from Jordan's dependence on Iraqi oil, Abul Ragheb pointed to the consequences on other sectors (i.e. trucking industry, factories, laborers, etc.), "we can deal with the unions, the protests, etc., but when people are hungry, we have problems."

OTHER MEETINGS STRESS GOJ ECONOMIC PERFORMANCE

17. (C) During their meetings with the Senator, both Minister of Finance Marto and Minister of National Economy Halaqi enthusiastically pointed to indicators of Jordan's improved economic performance and standing in the world, including Jordan's accession to the WTO and the U.S.-Jordanian FTA. Halaqi pointed to continued economic reform, despite regional problems. "Jordan pays a heavy price for others' bad decisions, but it will not stop us from economic reform." Halaqi also voiced concerns about the impact of an offensive against Iraq on Jordan's economy. Halaqi opined that Jordan "will have to start from scratch" because any cutoff in oil supplies from Iraq would force the GOJ to buy from the world market, "draining" their foreign currency reserves.

18. (C) At a luncheon hosted by the head of the Pharmaceutical Manufacturers' Association (who also owns a generic drug manufacturer in New Jersey), the Senator heard from a cross-section of private sector leaders and members of the GOJ's "economic team" including Minister of Trade Salah al Bashir and Minister of Planning Bassam Awadallah, about Jordan's strong interest in doing more business with the U.S. under the FTA and QIZ initiative. They said that the main obstacle deterring business was political uncertainty in the region, particularly in the West Bank/Gaza and Iraq.

19. (C) Discussion at a dinner with prominent media personalities centered on the Palestinian issue. Most of the participants supported President Bush's June 24 speech, but agreed that the focus on Arafat was counterproductive and probably strengthened Arafat in the end.

COMMENT

110. (U) Senator Corzine did not have the opportunity to clear this message before departure.
BERRY